Budget Checks Guidelines for Preparation of the Governor's Budget

These guidelines are primarily to assist Finance budget analysts in reviewing and processing various budget documents received from departments. Portions of these guidelines may also be helpful to departments.

Finance budget analysts are responsible for reviewing documents presented in these guidelines, which are covered in the following sections:

   I. Planning Estimates
  II. Planning Estimate Reports
 III. Schedule 10s (three year expenditures)
 IV. Detail of Appropriation and Adjustments Report
  V. Schedule 10Rs (Revenues)
 VI. Fund Condition Statement
 VII. 3-Year Expenditures and Positions
VIII. Detailed Expenditures by Program
 IX. Expenditures by Category
  X. Positions
 XI. Supplementary Schedules of Federal Funds/ Reimbursements
 XII. Employee Compensation/Retirement
XIII. Other Checks

I. Planning Estimates

1. Analyze and understand the reason and authority for all Planning Estimate (PE) adjustments posted. Request back-up documentation from your departments for every PE adjustment, if necessary.
2. Check last year's Governor's Budget, Salaries and Wages (footnotes), and Final Change Book to help identify additional adjustments, e.g., one-time costs or limited-term

funding/positions that need to be backed out.

3. Check that all appropriate one-year costs in the current year are backed out in the budget year. The "BCP Flag" report and PDS reports may be helpful in identifying these issues. Keep a list of new one-time costs that are approved when building the budget; send a copy to the department in January and keep it to be used the following year. Identify one-time costs and explain items in the system. Do the same for limited-term positions/programs that are expiring.

4. Build in full-year costs in budget year for programs established mid-year in the current year (when it was budget year), and prior approved BCPs that had only ramping-up costs.

5. Cite financial legislation by chapter/year of enactment and include a short descriptive title.

6. Back out funding for continuously vacant positions per Government Code 12439 for both current and budget years, as appropriate.

7. Ensure that reappropriations and carryovers are reflected on the proper lines. If past year Schedule 10s reflect carryovers, ensure that they are properly budgeted in the planning estimates in current and/or budget year.

8. Update the PE System. Be sure entries are on the proper line. Use appropriate agenda groups, as directed in Finance Memos, e-mail instructions, etc. Do not assume that departments have placed entries on the proper lines. Run PE reports and verify input.

II. Planning Estimate Reports

1. Tie PE reports to the department's PEs (suggest the use of PE Summary and Proof Listing report).

2. Run the Schedule 10 Reconciliation Report to tie/reconcile the expenditures to the Schedule 10s department summary page by fund. Differences due to the timing of data input to the systems are acceptable. However, final numbers must match in both systems.

3. A difference of $1,000 between current year PEs and Schedule 10s due to rounding is permitted.

III. Schedule 10s

1. Review and analyze Schedule 10s to determine the reasonableness of dollar amounts, (e.g., are dollar amounts consistent with past trends and patterns? If not, why?)
2. Verify Past Year Schedule 10s reconcile with department's year-end financial statements (compare to Report 6).
3. Check that a DF-38 (Schedule 10—Missing Record Report) is prepared for each financial legislation appropriation affecting the department for which a Schedule 10 record does not exist. Check for correct format and information.
4. Verify all adjustments are accurately reflected (including adjustment title, amount, scheduling, etc.).
5. Check that adjustments identified in Finance Memos or Budget Letters have been incorporated into the Schedule 10s. For example, adjustments are required in many Schedule 10s each year to account for Leg Claims (9670) and Section 3.60 (PERS) adjustments. If you have unanticipated costs for current year that may need funding via a 9840 item or supplemental appropriations bill, please make sure the Cash Management Section is aware of those issues and that you have posted those adjustments to your documents.
6. Budget year Schedule 10s cannot have any adjustments. The initial authorized and total expenditures must equal. Check that all approved changes have been incorporated into initial authorized and revised appropriation totals.
7. For continuous appropriations (usually statutory non-budget act items), check that the department has adjusted the authorized appropriation amount to equal the expenditures. Most continuous appropriations do not show savings or carryovers.
8. Most federal funds do not show savings or carryovers. Adjust the revised authorized amount to match the

expenditures by adding a negative budget adjustment (#910 adjustment).

9. There may be rounding differences between the Schedule 10s (whole dollars) and the Detail of Appropriations and Adjustment (DAA) Report, and between the Schedule 10s and the PEs. However, the fiscal statements within the budget spreadsheet must match exactly to the DAA Report, e.g., the total State Operations expenditures on the Expenditures by Category must equal the DAA Report.

10. Check that the funding display in the 3-Yr Expenditures and Positions matches the 3-Year Expenditure by Fund Report exactly.

11. Complete the General Fund Expenditure Reconciliation form. Request a copy of the General Fund financial statements from your department for the year just ended (past year) and provide to the Cash Management Section (either a scan or hardcopy).

IV. Detail of Appropriation and Adjustments Report (DAA)

This report is created from the Schedule 10s. Use the DAA Report to cross tie and verify the expenditures reported in the other fiscal statements. The DAA tab of the budget spreadsheet includes a roll-up of the detailed DAA Report. Only the totals from the DAA Report by fund and character should be listed on the DAA tab of the spreadsheet.

1. Check that the totals by character in the DAA Report match the totals in the Expenditures by Category.

2. Check that the totals for all characters in the DAA Report equal the expenditure totals in TOTALS, POSITIONS AND EXPENDITURES (All Programs) in the 3-Yr Expenditures and Positions.

3. For Capital Outlay, check that the TOTALS, EXPENDITURES, ALL FUNDS (Capital Outlay) line equals the TOTALS, EXPENDITURES, ALL PROJECTS line in the Summary of Projects.

V. Schedule 10Rs

1. Check for reasonableness of the dollars. Compare estimates of revenues to actual revenues in past years. Note reason for large year over year changes, as appropriate.
2. Verify that past year amounts reconcile with department's year-end financial statements (compare to Report 4 for revenues and Report 6 for transfers and loans).
3. Verify the correct authority is listed for each transfer and loan.
4. Check the Uniform Codes Manual (UCM) for each revenue type to verify that it is listed correctly. Revenues have unique codes. General Fund and special fund revenues begin with 1; nongovernmental cost fund revenues begin with 2 (please note that 10Rs are not required for nongovernmental cost funds). Transfers **from** other funds are coded FOXXXX, where XXXX equals the fund code of the fund providing the cash. Transfers **to** other funds are coded TOXXXX, where XXXX equals the fund code of the receiving fund. Loan and Loan repayments use the same coding as transfers, but should include verbiage noting "loan" or "loan repayment" in the authority.
5. Coordinate with other fund owners to ensure transfer to and transfer from amounts reflected on their Schedule 10Rs tie to their counterpart's Schedule 10Rs.
6. Remember to add loan repayments that are scheduled for the new budget year. Since loan repayments may not be scheduled in the past or current year, it's easy to forget that loan repayments for budget year need to be added. Cash Management will distribute a list to units detailing all budget year loan repayments to avoid this problem.
7. If changes to a 10R are needed after the first DAA Report/ FCS documents are received from Financial Operations (FO), hand-deliver updated and initialed/approved 10Rs to FO prior to submitting your budget folder for review.

8. Check that all proposed Budget Bill items for revenue transfers and loans have been listed on 10Rs.
9. Compare loans and loan repayments for consistency with information submitted on loan drills to the Cash Management Section.
10. Verify SMIF interest amounts included on Schedule 10Rs appear reasonable as compared to the Quarterly SMIF Allocation Recap Worksheet provided by the Cash Management Section.
11. Analysts for Administering Orgs must gather information from departments receiving revenues for that fund.
12. Complete the General Fund Revenue Reconciliation form.

VI. Fund Condition Statements (FCS)

1. Verify the fund administrator has submitted a past year fund reconciliation package including a cover memo, certification form(s) (DF-117), Detailed Fund Balance Report(s) (DF-303) and supporting financial reports. For shared funds, a consolidated DF-303 is included.
2. Remember that the FCS reflects point-in-time data reported by the fund administrator (prior year adjustment, Schedule 10, Schedule 10Rs, and additional non-add detail) and fund users (only Schedule 10s).
3. Verify the beginning balance for the past year matches the amount reflected in the previous Governor's Budget for that fiscal year.
4. The Total of Prior Year Adjustments from the DF-303 ties to the prior year amount posted in the Fund Condition Statement. In general, the prior year adjustment should not be zero.
5. Check that the past year ending fund balance agrees with the year-end financial statements and DF-303. (Shared funds use consolidated DF-303)
6. Verify the revenue trend is consistent with program assumptions.
7. Verify revenue and transfers tie to 10Rs for special funds.

8. Verify that past year revenues and transfers tie to DF-303.
9. Communicate expenditure and revenue data with appropriate fund/program coordinators. If you are a fund/program coordinator, communicate (via e-mail) your need for specific expenditure or revenue data. For expenditures, run reports for specific funds from BUDDS/PE and Schedule 10 files. Check with FO if you have fund coordination questions.
10. For each fund condition displayed in a department's budget, the expenditures are fed from the Total Expenditures line in each DAA Report for the fund, by character. (The FCS contains expenditure lines for State Operations, Local Assistance, Capital Outlay, and Unclassified categories.) Make the sure numbers tie to the Schedule 10s.
11. Verify past year expenditures tie to the DF-303.
12. The expenditure amounts should include all approved Capital Outlay project expenditures (BL 12-25).
13. In the rare event prior or past year revenues, transfers, or expenditures in the fund condition statement will include changes due to budget/policy adjustments made by Finance (e.g., pending legislation), and the amounts were not included in year-end financial statements, the impact will be reflected on the applicable past year Schedule 10 or the Schedule 10R, and the Fund Condition Statement. The Schedule 10 or Schedule 10R must include the annotation "Budget/policy adjustments made by Finance" , and be accompanied by a full explanation for this situation and amount. Additionally, the Fund Condition Statement for any fund affected by budget/policy adjustments made by Finance in the prior/past year must be manually marked-up to contain an extra non-add line in the appropriate section displaying the impact of the adjustment and entitled "Budget/policy adjustments made by Finance".
14. Ensure the budget year has a positive or zero fund balance for each fund. Negative ending fund balances in the budget year are not allowed.

VII. 3-Yr Expenditures and Positions

1. Check that the Positions shown in the TOTALS, POSITIONS AND EXPENDITURES (All Programs) line tie to those shown in the Totals, Personal Services line in the Expenditures by Category.
2. Check that the sum of the expenditures shown in the TOTALS, POSITIONS AND EXPENDITURES (All Programs) equals the TOTALS, EXPENDITURES, ALL FUNDS for each fiscal year.
3. Check that the expenditures for that program equal the total program expenditures on the Detailed Expenditures by Program, if displayed.
4. Check that the TOTALS, EXPENDITURES, ALL FUNDS line equals the Totals, Expenditures line in the Detailed Expenditures by Program.
5. Check that the total expenditures by fund equal the total expenditures by fund in the automated DAA Report.

VIII. Detailed Expenditures by Program

1. Check that element level detail, if displayed, sums to the total.
2. Check that the Totals, Expenditures equals the TOTALS, EXPENDITURES, ALL FUNDS on the DAA Report. Also check that the total State Operations, Local Assistance, and Unclassified lines in the Detailed Expenditures by Program equals the same lines in the DAA.

IX. Expenditures by Category

1. The Authorized Positions line equals the TOTALS, AUTHORIZED POSITIONS shown at the end of Schedule 7A (Salaries and Wages spreadsheet) as well as the Totals, Authorized Positions line in the Changes in Authorized Positions.
2. The Total Adjustments line equals the Total Adjustments line in the Changes in Authorized Positions.
3. Tie the State Operations and Local Assistance total

expenditures to the TOTALS, EXPENDITURES, ALL FUNDS in the DAA Report.

4. Review Operating Expenses and Equipment (OE&E). Identify any significant increases or decreases in line items between the current and budget year. Understand the reason for these changes. Check DF Form 302 (Equipment) and DF Form 300 (Operating Expenses) for more detailed information on changes. Generally, unless approved through BCPs, the dollar amount shown for total operating expenses should only increase in the budget year by the allowed price increase factor (e.g., 2 percent) if such a factor is approved by Finance.

5. Compare the OE&E totals in your spreadsheet to the display shown in the last Governor's Budget. Specifically, check the past year actuals in the spreadsheet against the mid-year amounts in the last budget. When actuals differ significantly from mid-year numbers, ask the department why. This enables you to determine how and why departments move money around, and whether they are using it for legitimate purposes. You should recommend the deletion of amounts not used for authorized purposes.

X. Positions

1. Update the Department Positions in the BUDDS/PE System. To do this, go to the BUDDS main menu and select F2. Enter the changes needed to bring the totals for each year to the correct amounts. Prior to approved BCPs, Total Positions should equal the sum of Authorized Positions plus Total Adjustments.

2. The TOTALS, AUTHORIZED POSITIONS shown at the end of the department's Salaries and Wages spreadsheet (Schedule 7A) MUST agree with the Totals, Authorized Positions line of the Changes in Authorized Positions and the Authorized Positions line of the Expenditures by Category.

3. The Authorized Positions and Total Adjustments lines in the Expenditures by Category and Changes in Authorized

Positions must be equal.

4. The total position amounts shown in the Totals, Personal Services line in the Expenditures by Category MUST equal those in the TOTALS, POSITIONS AND EXPENDITURES (All Programs) in the 3-Yr Expenditures and Positions.

XI. Supplementary Schedules of Federal Funds/ Reimbursements

1. Check that the total amount of federal funds in the Supplementary Schedule of Federal Funds ties to the Total Expenditures for Fund 0890 in the 3-Yr Expenditures and Positions. Check that the amounts for State Operations and Local Assistance tie to the TOTALS, EXPENDITURES line for Fund 0890 in the DAA Report.
2. Check that the amount of reimbursements shown for State Operations and Local Assistance ties to the amount shown in the DAA Report.
3. Run a Decision Agenda Summary report from BUDDS/PE and check the amount of reimbursements shown. The amounts shown in this report should tie to the amounts in the Supplementary Schedule.
4. Review the Supplementary Schedules for completeness. Do they reflect all recent changes, such as Section 28.00s or budget revisions? Do they reflect federal grants approved in prior years and continuing in the current and budget years? Do the same for interagency contracts. Ask department staff if these factors have been taken into account.

XII. Employee Compensation/ Retirement

1. Check the department's calculations. Make sure they have followed the instructions in the Employee Compensation/ Retirement Budget Letters and all similarly highlighted cells in the Employee Compensation Excel workbook include matching numbers. Request the department's backup calculations to check the accuracy of the reported amounts.

2. Since employee compensation adjustments are for the current year, ensure the total salaries used for calculations are less than or equal to the current year of the Salaries and Wages being developed (see annual employee compensation/retirement Budget Letters). HR Net (through CalHR, formerly called PIE) is also available with more detailed information on filled positions and classifications at a department.
3. Confirm correct items of appropriations and funds are identified on all applicable worksheets, and the correct fund split is used.
4. Ensure all reimbursements include a "501" to "600" reference code (not 001) on all applicable worksheets (i.e. 1234-**501**-0995).
5. Ensure the scheduling worksheets show current year in whole dollars, rounded to the dollar (i.e., $1,592) and budget year in whole dollars, rounded to thousands (i.e., $2,000).
6. Confirm the split of one-party, two-party, and family health enrollments is consistent with department back-up (i.e., 100% of department's employees should not be in the family plan).

XIII. Other Checks

1. Read and edit/correct the Budget Narrative sections in Data Capture.
2. Check the authority citations. Have the department check the citations section annually and update the citations section of the Budget Narrative if new legislation has been enacted or abolished.
3. Check that Section 28.00 and 28.50 adjustments, for which notification has been sent to the Legislature, are included. Update Schedule 10s and PEs as appropriate.
4. Verify the formatting requirements detailed in the Governor's Budget Checklist.
5. Verify the Detailed Budget Adjustments display is accurately reflecting information from PDS. (No missing

issues or extra issues.)

6. Keep a list of problems you encounter in checking the budget spreadsheet and supporting documents. Specify the problems clearly. Give a copy to the department to facilitate corrections, and meet with them to discuss, if necessary.